

**Update on PSC dockets/activities**  
**Presented to Energy & Telecommunications Interim Committee**  
**November 17, 2011**

**NorthWestern Energy**

- QF-related proceedings.

- The PSC issued its order in the QF-1 docket in October that set the standard avoided-cost-based rates for qualifying facilities (QFs) 10 MWs and smaller.

- In orders issued in previous QF-1 dockets, the PSC established a 50-MW level on new wind QF contracts by NWE that, once reached, would trigger a review by the PSC of QF policies. NWE's subsequent QF-1 tariff included an "installed capacity limit" provision that capped its purchases from new wind QFs at 50 MW. NWE has advised the PSC it had reached the 50-MW threshold and, pursuant to its tariff, NWE will not enter into new wind QF contracts. On October 14, the PSC issued an Order to Show Cause to NWE regarding the "installed capacity limit" provision that directs NWE to either remove the provision or present legal arguments why the cited tariff provision does not violate state and federal PURPA QF purchase obligations. Responses were received from NWE and other interested persons November 14.

- A hearing on PSC-proposed changes to its administrative rules regarding QFs will be held Friday, November 18. The major proposed change is to reduce the size of QFs that are eligible for the QF-1 short-term avoided cost tariff rate from 10 MW to 2 MW.

- Request for declaratory ruling that its proposed QF curtailment provision is consistent with federal and state PURPA rules. The PSC denied the requested ruling on September 1. The PSC recently denied NWE's request for reconsideration.

- Hydrodynamics petition. Hydrodynamics petitioned the PSC in August to set terms and conditions of a QF contract with NWE for the Flint Creek Hydroelectric Project.

- Mill Creek (now Dave Gates) compliance filing. When the PSC approved NWE's construction of the Dave Gates Generating Station (DGGS) in May 2009, it directed NWE to submit a filing once the gas plant began commercial operation that would allow the Commission to conduct its final cost review of the plant and establish the revenue requirement to be included in electric rates. NWE submitted its compliance filing on March 31. NWE's updated revenue requirement is not contested by the parties in the case. According to NWE, the DGGS plant cost is \$182.5 million and the net DGGS revenue requirement is \$38.6 million. The contested issue in the case is how to allocate Dave Gates' costs between wholesale and retail customers. (The PSC is also involved in a FERC proceeding on this issue.) The PSC's hearing on this matter was held last week.

- Spion Kop wind project. In May, NWE filed an application for PSC pre-approval of its purchase of the Spion Kop wind project. Spion Kop is planned to be a 40-MW wind project made up of 25 1.6-MW turbines located in Judith Basin County, to be in operation by the end of 2012. NWE estimates its cost will be about \$86.1 million and the levelized rate for Spion Kop

electricity will be about \$54/MW. One of the two intervenors, Invenergy, has withdrawn from the case. The other intervenor, MCC, has entered into a stipulation with NWE that, if approved by the PSC, resolves issues regarding return on equity, capital structure, and future treatment of Spion Kop's capital costs. A hearing is scheduled to be held in December.

- 2009 electricity supply resource procurement plan. NWE submitted its statutorily-required biennial plan in June 2010. Comments on the plan were submitted by Montana Consumer Counsel, Montana Small Independent Renewable Generators, and Natural Resources Defense Council/Renewable Northwest Project. The PSC held a hearing on the plan in July 2011. The PSC's comments on the plan were approved at a work session today.

### **Montana-Dakota Utilities**

- Electric integrated resource plan (IRP). MDU filed its biennial electric IRP on August 15. Written comments on the plan have been filed by the state Department of Environmental Quality. A public meeting on the plan will be scheduled later in the year.

### **Energy West Montana**

- General rate case. The PSC issued its final order in the Energy West rate case today. Energy West sought a rate increase of \$363,316, later revised downward to \$200,795. In the order, the PSC reduced the annual revenues of the company by about \$230,000, lowered the authorized rate of return, and rejected special negotiated contracts that Energy West had negotiated with several larger customers in Cascade County.

### **Electric City Power – waiver from RPS**

Electric City Power failed to acquire sufficient renewable energy credits (RECs) in 2010 to comply with the state's renewable portfolio standard. ECP requested a short-term compliance waiver from the PSC and a hearing was held in Great Falls in September. The PSC last week did not accept an offer from ECP to resolve this case by paying a \$99,000 penalty. Now a proposed order will be issued by Commissioner Gutsche, who presided at the hearing, and ECP will have the chance to file exceptions to the proposed order, and the PSC will issue a final order.

### **Proposed sale & transfer of Park Water Co., owner of Mountain Water, to Carlyle Infrastructure Partners**

The hearing in this case was held September 26-27 in Missoula. The City of Missoula and the Clark Fork Coalition support the sale to Carlyle after executing an agreement with Carlyle that addressed their concerns. The Montana Consumer Counsel does not oppose the transaction and negotiated a set of proposed ring-fencing conditions with Carlyle, Mountain, and the City. The PSC's decision in this matter should be issued in the new few weeks.

### **Telecom**

- FCC USF and intercarrier compensation reform. After consultation with Montana telecom companies, the PSC filed comments in May and again in August on the FCC's proposals to reform the federal universal service fund (USF) and the inter-related intercarrier compensation regime. The FCC voted last month to adopt major reforms. The FCC order is expected to be issued any day now. Various entities are already planning their appeals to federal courts.



**Other**

- Participating in regional transmission activities, such as Midwest ISO, Northern Tier Transmission Group, and the Committee on Regional Electric Power Cooperation. Current discussion topics include: (1) implementation of FERC's recent Order 1000, in which FERC reformed its electric transmission planning and cost allocation requirements for public utility transmission providers; and (2) evaluation of a possible Regional Energy Imbalance Market.

- PSC roundtable on EPA rules on December 6. The Environmental Protection Agency has proposed several rules to curb pollution from coal-fired power plants. Representatives from EPA, Montana DEQ, regulated electric utilities, and other interested persons will participate in the roundtable discussion of the rules and their possible effects on Montana utilities and ratepayers.